

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 ACDA-12 SP-02 USIA-06 AID-05 EB-08  
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 COME-00  
IGA-02 CIAE-00 PM-05 H-01 INR-10 L-03 NSAE-00  
PA-01 /097 W

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R 231139Z FEB 78  
FM AMEMBASSY LISBON  
TO SECSTATE WASHDC 4828  
INFO AMEMBASSY BONN  
AMEMBASSY LONDON  
AMEMBASSY MADRID  
AMEMBASSY MOSCOW  
AMCONSUL OPORTO  
AMEMBASSY PARIS  
AMCONSUL PONTA DELGADA  
AMEMBASSY STOCKHOLM  
CINCLANT NORFOLK VA  
COMUSFORAZ  
DIA WASHDC  
USCINCEUR VAIHINGEN GER  
USMISSION USNATO  
USNMR SHAPE BRUSSELS BEL

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 1368

E.O. 11652: XGDS-1  
TAGS: PINT PO  
SUBJECT: ECONOMIC ISSUES CLOUD RELATIONS WITH AZORES

REFS: (A) LISBON 1270 (DTG 171908Z FEB 78),  
(B) PONTA DELGADA 10 (DTG 051807Z JAN 78)

SUMMARY: AZOREAN OFFICIALS ARE GUARDEDLY OPTIMISTIC  
REGARDING FUTURE RELATIONS WITH THE LISBON GOVERNMENT,  
AND REACTED FAVORABLY TO THE CENTRAL'S GOVERNMENT'S REQUEST  
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TO SUBMIT AUTONOMY OBJECTIVES. NONETHELESS, THE DIFFICULT  
ECONOMIC PROBLEMS AHEAD AND AZOREAN EFFORTS TO INSULATE  
THE REGION FROM THE CENTRAL GOVERNMENT'S AUSTERITY MEASURES  
MAKE SOME DIFFERENCES INEVITABLE BETWEEN THE AZORES AND LISBON.  
END SUMMARY.

1. GUARDED OPTIMISM TOWARD LISBON: AZOREAN GOVERNMENT,

PARTY, AND PRIVATE LEADERS DISCUSSED PROSPECTS FOR CENTRAL/REGIONAL GOVERNMENT RELATIONS IN FEB 13-17 CONVERSATIONS WITH AMCONSUL PONTA DELGADA AND EMBOFF. THE PREVAILING AZOREAN VIEW WAS ONE OF GUARDED OPTIMISM TOWARD THE NEW PS/CDS GOVERNMENT.

-- REGIONAL GOVERNMENT PRESIDENT MOTA AMARAL COMMENTED THAT THE NEW GOVERNMENT'S PROGRAM DEALING WITH THE AUTONOMOUS REGIONS WAS FOR THE MOST PART POSITIVE. HE REACTED FAVORABLY TO THE GOVERNMENT'S FEB 15 REQUEST FOR REGIONAL AUTHORITIES TO SUBMIT CONCRETE PLANS FOR POLITICAL AND ADMINISTRATIVE AUTONOMY AND ECONOMIC DECENTRALIZATION (REF A). AMARAL IS ALSO COUNTING HEAVILY ON HIS PERSONAL RELATIONSHIP WITH PRESIDENT EANES AND ON DEFENSE MINISTER FIRMINO MIGUEL WHOM AMARAL EXPECTS TO HAVE MORE AUTHORITY FOR REGIONAL MATTERS.

-- REGIONAL ASSEMBLY PRESIDENT ALVARO MONJARDINO WAS MORE SKEPTICAL. HE SAID THAT ALL PORTUGUESE GOVERNMENTS HAVE CENTRALIZED AUTHORITY DESPITE POLITICAL PARTY ADVOCACY OF DECENTRALIZATION WHILE IN THE OPPOSITION.

-- MINISTER OF THE REPUBLIC GALVAO DE FIGUEIREDO WAS THE ONLY KEY OFFICIAL TO LABEL PROSPECTS FOR CENTRAL/REGIONAL GOVERNMENT RELATIONS AS BAD. FIGUEIREDO THOUGHT THE NATIONAL PSD WOULD USE THE REGIONAL GOVERNMENT TO CAUSE PROBLEMS FOR SOARES. HE ALSO SAID THAT THE "REGIONAL GOVERNMENT HAS SHOWN BAD FAITH" CONFIDENTIAL

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IN ITS DEALINGS WITH LISBON.

2. FOCUS ON AUTONOMY: THE PRINCIPAL ISSUES AMONG THE POLITICAL PARTIES IN THE AZORES ARE AUTONOMY AND THE PRIMACY OF THE CENTRAL GOVERNMENT.

-- PSD REGIONAL ASSEMBLY LEADER BORGES CARVALHO ARGUED THAT THE REGIONAL GOVERNMENT AND THE AZOREAN PSD SHOULD CONTINUALLY PROBE THE LIMITS AUTONOMY. HE ACCEPTED THE PROBABILITY THAT THE REVOLUTIONARY COUNCIL WOULD RULE A NUMBER OF AZOREAN MEASURES UNCONSTITUTIONAL.

-- THE AZOREAN PS ON THE OTHER HAND DEFENDED UPHOLDING THE JURIDICAL CONCEPT OF AUTONOMY WHICH HAS BEEN SUPPORTED IN PREVIOUS REVOLUTIONARY COUNCIL DECISIONS. PS LEADER MARTINS GOULART ARGUED THAT THE REGIONAL GOVERNMENT IS PUSHING THE AUTONOMY ISSUE FOR STRICTLY POLITICAL REASONS.

3. ECONOMIC ISSUES CRUCIAL: THE REGIONAL GOVERNMENT HAS PASSED KEY ECONOMIC MEASURES DESIGNED TO INSULATE THE AZORES FROM THE ECONOMIC AUSTERITY AFFECTING THE CONTINENT. THE FOLLOWING MEASURES AWAIT THE NATIONAL LEGISLATURE'S APPROVAL:

-- THE ESTABLISHMENT OF A SEPARATE FOREIGN EXCHANGE  
BUDGET FOR THE AZORES;

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USNMR SHAPE BRUSSELS BEL

C O N F I D E N T I A L SECTION 2 OF 2 LISBON 1368

-- AZOREAN AUTHORITY TO OPEN DEMESTIC BANKING AGENCIES;  
-- SUSPENSION OF ECONOMIC LAWS CHALLENGED BY THE  
REGIONAL ASSEMBLY UNTIL THE REVOLUTIONARY COUNCIL  
DECIDES ON THEIR CONSTITUTIONALITY; AND  
-- REGIONAL SUBSIDIES TO REDUCE SELECTED INTEREST  
RATES.  
THE REGIONAL GOVERNMENT ARGUES THAT GREATER FINANCIAL  
AUTONOMY FOR THE AZORES WLL HELP STIMULATE FOREIGN  
INVESTMENT AND EMIGRANT REMITTANCES TO THE ARCHIPELAGO.  
MOTA AMARAL AND BORGES CARVALHO SAID THEY WERE ATTEMPTING  
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TO PROTECT THE AZORES FROM THE IMPACT OF THE CENTRAL GOVERNMENT'S ECONOMIC AUSTERITY MEASURES. BORGES CARVALHO ARGUED THAT PLANNED INCREASES IN INTEREST RATES ON THE CONTINENT OUGHT NOT APPLY TO THE AZORES.

4. PARTY POLITICS:

-- REGIONAL CONCERNS OF PSD: MOTA AMARAL EMPHASIZED THE SEPARATION OF THE AZOREAN PSD FROM THE MAINLAND PARTY. HE SAID HE HAD DECIDED THAT THE AZOREAN PSD COULD LIVE WITH EITHER SA CARNEIRO OR SOUSA FRANCO. AMARAL SAID THE NATIONAL PARTY HAD ALWAYS ACCEPTED THE AZOREAN PSD'S VIEWS ON REGIONAL MATTERS.

-- SOCIALISTS AND CENTER DEMOCRATS: SOCIALIST LEADERS SAID THE AGREEMENT BETWEEN THE PS AND THE CDS AT THE NATIONAL LEVEL HAS NOT HAD ANY PRACTICAL EFFECT ON THE AZORES SINCE THE REGIONAL CDS HAS NO EFFECTIVE ORGANIZATION.

5. COMMENT: THE CONTINUING DISPUTE BETWEEN THE PS AND PSD OVER REGIONAL AUTONOMY HAS HURT THE SOCIALISTS. IT WILL BE DIFFICULT FOR THEM TO PICK UP MUCH STRENGTH AS LONG AS THEY ARE SEEN AS THE DEFENDERS OF LISBON'S INTERESTS.

6. PROBLEMS BETWEEN THE CENTRAL AND REGIONAL GOVERNMENTS WILL NOT STEM FROM NATIONAL PSD TACTICS AS GALVAO DE FIGUEIREDO BELIEVES, BUT FROM THE AZOREAN REGION'S EFFORTS TO INSULATE ITSELF FROM THE ECONOMIC AUSTERITY AFFECTING THE CONTINENT. THE CENTRAL GOVERNMENT AND PRESIDENT EANES HAVE MOVED QUICKLY TO DEMONSTRATE THEIR READINESS TO DIALOGUE ON AUTONOMY ISSUES. SUCH GOOD WILL SHOULD HELP REDUCE CONFLICTS, BUT DIFFERENCES ARE INEVITABLE DURING THE DIFFICULT ECONOMIC TIMES AHEAD.

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## Message Attributes

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